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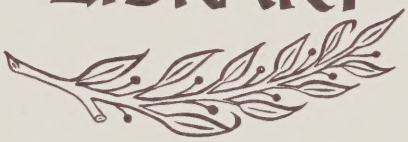

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FOSTERING MORE HOMEOWNERSHIP

THROUGH CONVERTING TRIPLE - DECKERS

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FOSTERING MORE HOMEOWNERSHIP

This informational report was prepared for review and consideration by the Boston Redevelopment Authority and City of Boston. Forward comments to Rolf Goetze at 489-2739 or 242-7400 x593.

While the prices of many existing rental properties in eastern Massachusetts are now boosted by strong housing demand, few investors remain willing to become traditional landlords of rental property. Changes in federal income tax provisions -- taxing capital gains as ordinary income while reducing depreciation -- discourage continued absentee-ownership of most properties coming on the market.

Meanwhile, almost any household spending over $600 monthly (plus utilities and heat), that can itemize its tax deductions and **find the downpayment**, *is better off owning its unit as a condominium rather than paying rent. While "going condo" seems a call for alarm to many, this approach deserves closer examination because it not only brings the municipality more revenue, but also increases resident ownership which stabilizes the neighborhood.*

A program that helps households currently without a downpayment generate one so they can develop equity through resident ownership would be a very cost-effective affordable housing initiative today. Converting triple-deckers into three resident-owned condominiums offers housing that remains affordable. Since in many instances the city eventually receives more property tax revenues from these units after conversion, such initiatives could even be partially self-financing.

The typical $180,000 triple-decker acquired today by an absentee-investor can no longer provide affordable rental apartments, even with public subsidies, but converted into three $75,000 condominiums, each unit provides both shelter and home equity while costing the buyer little more than most current asking rents.

Fostering such conversions under a community land trust is even more advantageous for young homemakers, resulting in housing that locks in costs of around $500 monthly and requiring only $21,000 in annual household income while instilling pride of ownership and building equity.

Introduction

The challenge of providing affordable housing has increased substantially in the past few years due to the recent sharp increases in housing market values in Boston and its surrounding communities. Analyzing the current market situation more thoroughly and systematically reveals some possible new approaches. The current crisis presents new opportunities.

It is now true that:

- o most homeowners could not buy their own homes today if they had to,
- o it now usually takes two incomes to buy a home or most condominiums, and even to meet many of today's asking rents,
- o very little new private rental housing is being built -- and even less assisted housing -- due in part to the effects of recent federal tax reforms which increased the tax on capital gains and reduced depreciation benefits.

- o existing private rental properties that come on the market tend to be converted to equity ownership for the same federal tax reform reasons.
- o thus too many tenants are competing for too few rental units, and
- o homelessness results, often unexpectedly, when a household loses its income, or separation/divorce causes a breadwinner to leave.

In 1987, the "average triple-decker" in the seven Boston neighborhoods where they predominate was bought for $166,900. Increasingly, such triple-deckers are being converted into condominiums, and the resulting average market price per condominium unit was $104,400 in 1987.[1]

Table 1: Pricing of Triple-deckers and Converted Condominiums, 1987

Planning district	3-decker value	Condo value	3xCondo value	Diff/struc	Multiplier
East Boston	$146.9	$126.5	$379.5	$232.6	2.6
Allston/Brighton	183.2	110.5	331.5	148.3	1.8
S. Dorchester	151.9	103.9	311.7	159.8	2.1
Mattapan/Franklin	139.8	82.5	247.5	107.7	1.8
Roslindale	181.7	115.0	345.0	163.3	1.9
West Roxbury	195.8	109.8	329.4	133.6	1.7
Hyde Park	169.2	82.5	247.5	78.3	1.5
Neighborhood average	166.9	104.4	313.2	146.2	1.9

Source: BRA Research Dept. Housing Facts and Figures

Table 1 shows that the converted structures were generally priced by the market as being worth almost 90 percent more than the regular triple-deckers. Meanwhile, the city obtained over 100 percent more in tax revenues from each such converted structure. The market difference in current values averages over $146,000 and ranges between $78,000 and $232,000. However, considering the time that each such conversion takes, one could say that an average triple-decker, bought for $150,000 in 1986, emerged as three condominiums, worth $313,000 together in 1987, more than twice as much. While some of this compensates for actual physical improvements, most of it is an economic gain or windfall that could be harnessed to benefit residents.

On the average triple-decker, the converter gained well over $100,000 for his efforts and expenses.[2] *Much of this is simply a market-generated windfall of over*

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[1] These average prices for condominiums are from those neighborhoods where enough triple-decker conversions have taken place to define the market, and they are considerably lower than the prices of "downtown" condominiums. See *Condominium Development in Boston, 1979 - 1987* BRA Research Department, August 1988. Although median prices for either triple-deckers or condominiums are not available by neighborhood, they would definitely be lower than these averages.

[2] This is due both to the premium for condominium tenure conferred by the federal tax code as well as the rising local market.

$30,000 per unit -- on top of its recent appreciation as a triple-decker. The question is how this windfall should be shared. How much is the prior owner's, the new resident's, and how much should go to the converter?

Comparing the Costs of Rental with Condominium Ownership

The strong regional market, compounded by recent federal tax reforms, has recently begun to produce a growing number of conversions of formerly rental stock, that is rapidly spreading into the triple-decker stock. This calls for a review of how homeownership and rentals now differ in costs and benefits.

Tables 2 and 3 are designed to suggest how market forces discourage the continuation of housing in rental tenure, and encourage converting units for sale as condominiums instead. Throughout the Boston region, strong market forces are increasingly spurring such conversions because the general rent levels in the existing stock, after sales, have risen above the $600 monthly level (without utilities) -- a threshold at which federal income tax incentives strongly begin to encourage homeownership.

These market forces and tax effects increase the market value of each unit by between 50 and 100 percent when converted to condominium tenure, while the local property tax yield to the municipality also rises accordingly. *Even when one includes the foregone interest on the downpayment, however, the household's annual housing costs are only a little higher than current asking rents -- by a small premium when one considers the unit's potential for continuing appreciation.*

A monthly apartment rent of $800 supports an investor-owned property worth only around $50,000 per unit as a rental property today, using traditional appraisal techniques to capitalize the net operating income stream. This is shown in Table 2.

Table 2: $800 Monthly Housing Expenditure Used to Finance a Rental Unit, 1988

	monthly		annual
gross rent[3]	$ 800		$9,600
- operating expenses	250		3,000
- property taxes[4]	50		600
net operating income[5]	500		6,000
divided by cap factor[6]			- .12
		market value:[7]	$50,000

[3] Heat and utilities not included.

[4] Each unit assessed at $40,000.

[5] Remainder, used for debt service. This is usually over 60 percent of rent, and even in subsidized developments tends to exceed 50 percent.

[6] Capitalization factor expresses the relationship between an annual income stream and the market value of the asset producing that income

[7] Or $40,000 with a .15 cap factor.

Assuming each owner initially puts in a 20% downpayment, Table 3 shows how comparable units become worth some $100,000 in greater Boston's current tight housing market. Since a household buying such a condo is likely to be in the 28 percent tax bracket, this results in a monthly cost of $743 before considering the $113 monthly interest foregone in the $20,000 downpayment and the $2,500 in closing costs.

Table 3: A $100,000 Condominium Costing Around $800 Monthly

Purchase price		$100,000
20 Percent Downpayment		20,000
Mortgage amount at 10 percent, 30 years		80,000
Annual household income required for financing:		$33,176[8]

	Before tax deductions	After tax deductions 15% bracket	28% bracket
Interest	$665	$565	$479
Principal	37	37	37
Property Tax[9]	100	85	72
Condo Fee[10]	100	100	100
Homeowners Ins.	55	55	55
Monthly costs	$ 957	$842	$743
Foregone interest[11]	113	113	113
Total "expenses"	$1,070	$955	$855

This doubling in market value of existing stock is driving the conversion of much private rental housing into condominiums throughout the metropolitan area. Current research shows that this before/after rent to condominium value ratio of 1:120 is remarkably consistent, from Chelsea triple-decker units renting for $500 to the most recent suburban developments renting at upwards of $1,000 monthly. This alchemy results from the 28% federal income tax deductions still available to middle class homeowners for their mortgage interest and property tax outlays -- despite recent tax reforms -- and the fact that the condo owners will assume responsibilities that tenants have come to expect investor/landlords to handle.

Unfortunately, most of Boston's resident households cannot provide a $20,000 downpayment to compete with outside buyers for the $100,000 condominium example

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[8] With 20 percent down, lenders feel that principal, interest, property taxes, and homeowner's insurance should not exceed 31 percent of annual household income. Also, all monthly payments, including financed costs of education and car ownership should not exceed 36 percent of annual income.

[9] Each unit assessed at around $80,000.

[10] Heat and utilities not included.

[11] Assuming 6% interest on $20,000 downpayment and $2,500 closing costs that would have been kept in a savings bank.

in Table 3. While there are private programs to assist households lacking downpayments, both the income needed to qualify and the monthly payments are accordingly higher.

Table 4 shows that the same $100,000 condominium bought with only 10 percent down requires higher monthly payments to pay off a larger mortgage plus an additional private mortgage insurance. Note that under current lending practices, the income to qualify has risen from $33,176 to $42,206, and the total monthly housing costs are around $900, some $100 higher.

Table 4: A $100,000 Condominium Costing Around $900 Monthly with 10% Down

Purchase price	$100,000
10 Percent Downpayment	10,000
Mortgage amount at 10 percent, 30 years	90,000

Annual household income required for financing: $42,206[12]

	Before tax deductions	After tax deductions 15% bracket	28% bracket
Interest	$748	$636	$539
Principal	42	42	42
Property Tax	100	85	72
Condo Fee	100	100	100
Homeowners Ins.	55	55	55
Priv. Mortgage Ins.	40	40	40
Monthly costs	$1,085	$958	$847
Foregone interest[13]	63	63	63
Total "expenses"	$1,147	$1,020	$910

Appendix A, using the same format as tables 3 and 4, explores the options for an $80,000 condominium unit.

Comparing Monthly Housing Costs

Table 5 relates household incomes to affordable monthly rents, and also indicates the equivalent of these rents to typical homeownership costs by considering income tax benefits. The purpose is not only to show the household incomes required to meet current rents, but also to reveal the monthly amounts these same households could have committed directly towards homeownership without even considering potential appreciation (gains in equity).

Note that Table 5 shows that from the standpoint of its annual housing budget, a household would be relatively indifferent whether it pays $800 in rent (Table 2) or

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[12] With only 10 percent down, lenders require that principal, interest, property taxes, homeowner's insurance, *plus the additionally required private mortgage insurance premium* not exceed 28 percent of annual household income.

[13] Assuming 6% interest on $12,000 downpayment and $2,500 closing costs that would have been kept in a savings bank.

some $928 in monthly homeownership costs before deductions (Table 3). After five years, however, further rent increases are likely, while the owner in effect is experiencing growing home equity in a "forced" savings account. The downpayment makes the difference. For the household that can afford it, this downpayment is an excellent investment; tenants with a similar amount of savings to invest are unlikely to do anywhere near as well outside their home.

Table 5: Household Rents, Pre-tax Equivalents, and Affordable Incomes[14]

Monthly rent	pre-tax equivalent	Household income	Monthly rent	pre-tax equivalent	Household income
$300	$300	$12,857	$700	$756	$30,000
400	400	17,143	800	928	34,286
500	540	21,429	900	1,044	38,571
600	648	25,714	1,000	1,160	42,857

A Possible Downpayment Program

The flip side of the "Massachusetts Miracle" is that too many households cannot come up with the full downpayment required for buying a home, or even a condo. Traditionally, a family earning $30,000 needed to muster around half an annual household income, or some $15,000 in order to pay 20 percent down and obtain reasonable financing on a $75,000 home. Today, this household would need $30,000, or one year's income, to buy an equivalent $150,000 unit with favorable financing.

The foregoing description and analysis of the current housing market in Boston indicates that there is an opportunity for people to enter the housing market in new ways, given guidance and some interim financial assistance to meet downpayment requirements. This opportunity lies in the process of converting a triple-decker home into three condominium units (living in one and selling the others if the condo market remains strong, or in buying a condominium directly if a condo glut develops), or in acquiring an even more affordable unit under a community land trust.

The idea of Boston's triple-decker housing stock "going condo" generally raises alarm among those interested in preserving the community. As a result, this affordable housing technique has not been widely considered. A more systematic study of the situation, however, reveals that such conversions may in fact serve the city quite well while providing an affordable homeownership opportunity for a segment of the population which most typically would be young families.

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[14] Affordability has been calculated on the basis of rents not exceeding 28 percent of gross annual household income, that is, 12 times the monthly rent, divided by 28 percent (or a multiplier of 42.857).

Pre-tax equivalents of the rent have been calculated by judging the household's federal income tax bracket and considering the effect of itemizing homeowner deductions. Households with incomes under $20,000 have been assumed not to itemize; those between $20,000 and $30,000 are likely to be in the 15 percent bracket, and those over $30,000 are assumed to be in the 28 percent bracket. (These tax effects are "diluted" to 8 and 16 percent by the fact that not all homeownership costs are tax deductible.)

A major hurdle to homeownership is providing a downpayment. From seasoned experience, lenders require a buyer to provide a reasonable amount of equity, usually 20 percent, to make the mortgage sound. With less downpayment, risks of foreclosures rise. However, families often do not have the $30,000 to $50,000 required to buy a triple-decker in Boston today.

A prime role for Linkage funds or a new state assistance program would be providing downpayment assistance, mindful that any household would still have to provide at least 10 percent down, preferably more, plus some "enterprise" or "sweat equity."

However, direct loan of a $10,000 downpayment, even at no interest, would not suffice to make a home in Boston affordable. As Table 6 shows, a household would have to pay out an additional $132.15 monthly for ten years to repay a $10,000 loan at 10 percent interest -- or $83.33 monthly if the advance were interest free (0% interest). That is a significant additional cost at the outset for any household experiencing difficulty in meeting today's rent and housing costs.

However, if this household were to take on a $10,000 lien on a suitable property it acquires in Boston (instead of any cap on appreciation or other shared equity arrangement) **and be obligated to pay the city around $70 monthly in tax deductible interest payments**, then an important element of an affordable homeownership program emerges. This $70 monthly payment represents 8 percent interest on the lien to keep the principal from growing. (If 10 percent seemed more appropriate, then the monthly payments would be closer to $85.)

Table 6: Total Monthly Payment to Pay Off a $10,000 Downpayment

	0%	6%	8%	10%	12%
5 years	$166.67	$193.33	$202.76	$212.47	$222.44
10 years	83.33	111.02	121.33	132.15	143.47
15 years	55.56	84.39	95.57	107.46	120.02
20 years	41.67	71.64	83.64	96.50	110.11
30 years	27.78	59.96	73.38	87.76	102.86

If or when this household pays off some of the principal, its monthly payments to the city would be reduced accordingly. And if not fully paid off, the remainder of the $10,000 would become due upon sale or whenever the household ceased being a resident owner. (This downpayment lien should be structured as a foreclosable loan.)

In this way, a "kitty" of $3,000,000, which could be administered by a non-profit Boston Housing Trust, would cost the city only administrative costs while directly helping 300 appropriately selected households. Smaller amounts of individual assistance would obviously help even more families.

Some Program Alternatives

Whereas market shortages currently price such condominiums at around $100,000, as system for buying and converting triple-deckers to benefit families becomes viable at $75,000 per unit, with each unit providing the city more tax revenue after conversion. As mentioned above, $75,000 per condo results in $225,000, allowing an average triple-decker to be bought for $180,000 and an additional $45,000 to be invested in improvements.

Buyer match-ups. The simplest variation is matching up three households with incomes that are inadequate to enable them to buy a condo on the market on their own. However, at $75,000 per condo, this is not the most effective way. Today, the monthly costs of such a condo are about 75 percent of those in Tables 3 or 4, requiring a total annual household income of some $25,000 if the household could make a 20 percent downpayment, or nearly $32,000 if it could pay only 10 percent down.[15] Some real estate brokers in Greater Boston are already doing this, providing a useful example for adaptation.[16]

Sellers usually want the property off their hands in 60 or at most 90 days, and completing the conversion can be difficult within this time frame. The process can involve a master purchase and sale (P&S) with the seller, and dummy P&S's for the three buyers.

Filing a master deed for condo conversion involves architectural drawings and legal language spelling out who owns what, how decisions regarding repairs and maintenance will be handled, and mediation procedures in the event of differences. The key is to keep it simple and minimize the number of closings, since each costs points, legal expenses, etc.[17]

A "Fire Sale" alternative becomes possible if a major surplus of condominiums emerges, as some predict. The Boston Housing Partnership or community-based non-profits might then help qualified households buy condominiums on the market at

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[15] See Appendix A for examples illustrating an $80,000 condominium, modelled on Table 3, and Appendix B for condos ranging in price for $40,000 to $200,000. Note that these prices do not include the downpayment assistance proposed above.

[16] Ivers & Stein, in Arlington, has arranged a handful of purchases where households converted 2-Fams into condominiums, and confirms there is a substantial gain awaiting the converter. Interview with Louise Ivers and David Brown, January 13, 1988. In November, this firm advertised such services in the *Arlington Advocate*, "Buying Home with Another." Brokers like Ivers & Stein have begun to act as matchmakers, bringing prospective owners together.

David Brown notes the "real way" to help affordability in Boston is to start homeownership as early as possible, say with a 500 sq. ft. condo, currently available for $90,000 in Arlington, when a young couple contemplates getting married. Brown advises, "Don't even start renting today."

[17] Certain lenders, like Com Fed, Boston Five, are most experienced -- and can help put a deal together. Points are 1 - 2 percent of the mortgage, or some $1,000 - 2,000. Thus a closing, including legal expenses and architectural drawings, costs several thousand dollars.

around $70,000, with $14,000 downpayments -- putting down $7,000 or more of their own plus the balance in a downpayment lien. Such households would still have to carry $56,000 mortgages, burdening them with total monthly payments of around $700, requiring at least a $24,000 household income.

Note that attempting to devise a program involving households as landlord-triple-decker owners, carrying the additional units with rental assistance is not feasible at current prices. It would be lucky to find a suitable triple-decker for less than $180,000 including the cost of necessary repairs. Even *with* downpayment assistance, the total monthly carrying costs would be well beyond its means. If $800 in monthly state rental assistance could be arranged for each of the two non-resident-owned units, along with a downpayment lien, this would still leave the owner household with some $1,000 in monthly housing costs, requiring a household income well over $40,000.

Masterminding a triple-decker Conversion. If a household elected to mastermind the conversion of one of the city's many triple-decker properties into condominiums, under interim city assistance and guidance, and then sold off the additional units, it might be able to obtain its own condo for some $40,000 to $50,000, which is at least $25,000 below the average feasible price of $75,000.

Assuming this household, with city non-profit support and guidance, found a suitable triple-decker for $160,000, and added another $30,000 for improvements, it would initially be "out" $190,000. Once it sold the extra units for $75,000 each (current market), its exposure on its own unit, also worth $75,000, would only be $40,000, of which $32,000 would be the remaining balance of a regular amortizing mortgage, and $8,000 would be its downpayment. It might even be a city downpayment lien, costing it $67 monthly until it got around to paying it off.[18]

Converting a triple-decker would provide the household its own housing unit generating equity for some $350 monthly in total housing costs, a level much more favorable than current Boston asking rents. Many households making around $20,000 could handle such payments -- and this would create stabilizing tenure in Boston's triple-decker neighborhoods at the same time, curbing investor speculation in potential condo conversions in this stock. Many community-based non-profits could provide the guidance. The effect of increasing resident ownership and

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[18] Without proper downpayment, there should probably also be an additional monthly risk fee of $20 or so, but in this case the family would have demonstrated its commitment by participating in the conversion of the property.

Note that these examples have ignored the potential benefits of MHFA financing. Tax exempt MHFA mortgages are typically 1 percent lower than market, or 9 percent in this example. While this lowers monthly housing costs and the income threshold somewhat, it introduces considerable administrative complexity, hampering program flexibility. Although these numbers are well under MHFA's current $120,000 limit under the single family program, it would take some selling to involve MHFA as a partner is this condo conversion initiative since this agency generally leans towards new construction.

stability in Boston's neighborhoods should not be underestimated, and nicely meets many affordable housing goals.

The community land trust (CLT) concept provides an even more promising alternative that would enable families with incomes of $20,000 - $25,000 to buy into one of Boston's triple-deckers as a condominium, with the other units owned by similar resident owners. The land beneath the structure would not be theirs but belong to a non-profit Housing Trust.

Just as a condominium owner does not own the surrounding building but pays a fee to the condo association, so would these families not own the underlying land but pay "ground rent" to the non-profit. In return for providing a more affordable unit, the Corporation would have the right to limit the unit's appreciation and to control to whom the unit could be sold when the initial buyer wants to sell.[19]

Some illustrative assumptions follow: A $180,000 triple-decker property can be fixed up and converted into four legal parts: three condominiums, whose titles are independent of each other, and the underlying land. Assume after improvements the whole package becomes worth $225,000. However, instead of three $75,000 condominiums, each condo is sold for $50,000, and the underlying land, worth $75,000, is retained by the non-profit.

Each family would buy its $50,000 unit with $10,000 or 20 percent down -- assisted up to $5,000 through a downpayment lien -- and pay the mortgage, taxes, insurance, and $35 to augment its downpayment. It also pays the Housing Trust some amount, say $150 monthly, as "ground rent" for the use of the land on which each structure stands.[20]

Condo conversions have typically been assessed at 100 percent more than the traditional form of ownership, due to the higher value of comparable units, which means that the city generally receives 100 percent more in property taxes from triple-deckers once they are converted into condominiums. In this case however, after conversion, the city would obtain approximately the same revenues from the three resident owners together as before, based on the value of the condos alone. However, the underlying land, worth $75,000, would become tax exempt -- a city "contribution" towards affordable housing that saves the land trust having to pay taxes on the underlying property.

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[19] For more information regarding an established community land trust see Appendix C, *Burlington Community Land Trust*, reproduced from *Official U.S. Special Merit Award Projects: Monographs*, Department of Housing and Urban Development, PD and R, February 1987. Also see *A Catalogue of Methods for Preserving Affordable Housing*, Metropolitan Area Planning Council (MAPC), Boston, March 1988.

[20] Actually amortizing the underlying $75,000 land value over 30 years at 10 percent would cost the land trust $593 monthly, or $198 per unit. However, there are some more sophisticated ways to handle this that lie beyond the scope of this discussion.

In the future, as each condo eventually comes up for sale, the CLT would have first right of refusal, at a pricing formula spelled out in the ground lease agreement between the original owner and the non-profit. Such a price could provide the resident owner a return of all he invested including household improvements, plus a previously agreed upon fraction of the market appreciation of his unit, or an amount indexed to changes in the Consumer Price Index or in the mean price of single family homes in the area over the interim.

Table 7: Monthly Costs of a $50,000 Unit in a Land Trust, Privately financed[21]

Purchase price		$50,000
Downpayment (20%)		5,000
Mortgage amount at 10 percent, 30 years		45,000
Required annual household income:		$21,044

	Before tax deductions	After tax deductions 15% bracket	28% bracket
Interest	$332	$283	$239
Principal	19	19	19
Property Tax[22]	60	51	43
Ground rent[23]	150	150	150
Homeowners Ins.	45	45	45
Downpayment lien	35	30	25
Monthly costs	$641	$577	$521
Foregone interest	38	38	38
Total "expenses"	$ 679	$615	$559

All in all, this catalytic city downpayment lien, coupled with the alchemy of the market condo conversion process, provides a promising affordable homeownership opportunity for Boston families. The possible alternatives proposed here effectively complement the Rent Equity Board's recently enacted Permit Removal system which helps set the stage for more affordable, equity ownership on the part of existing tenants.[24]

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[21] Note that MHFA 9 percent financing would reduce the eligible income level by another $1,250, from $21,044 down to $19,794, but involving an additional state agency greatly increases complexity. It might be wiser for Boston to begin with favorably inclined brokers and lenders to initiate and test the concept before involving another agency.

[22] Each unit assessed at around $40,000; city receives $660, about the same per unit as under prior tenure.

[23] Heat and utilities not included.

[24] A Permit Removal system, proposed by Mayor Flynn, was enacted by the City Council in early June 1988 under which a majority of the occupants residing over one year must consent to condominium conversion. This will allow some tenants to gain ownership at insider prices, which in turn permits the developer/converter to sell the balance at market rates. For example, in a ten unit rental with two vacancies, if the owner can obtain the consent of four tenants, conversion can pro-

Appendix A:

MONTHLY COSTS OF $80,000 CONDOMINIUM UNIT, with 10% Down, and PRIVATE or MHFA financing

Purchase price	$80,000
Downpayment (10%)	8,000
Mortgage amount at 10 percent, 30 years	72,000
Required annual household income (@ 28%):	$34,065

	Before tax deductions	After tax deductions 15% bracket	After tax deductions 28% bracket
Interest	$598	$509	$431
Principal	33	33	33
Property Tax	80	68	58
Condo fee	85	85	85
Homeowners Ins.	48	48	48
PriMort Insurance	35	35	35
Monthly costs	$880	$778	$690
Foregone interest	53	53	53
Total 'expenses'	$932	$831	$742

Purchase price	$80,000
Downpayment (10%)	8,000
MHFA mortgage at 9 percent, 30 years	72,000
Required annual household income:	$31,814

	Before tax deductions	After tax deductions 15% bracket	After tax deductions 28% bracket
Interest	$538	$458	$388
Principal	41	41	41
Property Tax	80	68	58
Condo fee	85	85	85
Homeowners Ins.	48	48	48
PriMort Insurance	35	35	35
Monthly costs	$827	$700	$619
Foregone interest	53	53	53
Total 'expenses'	$880	$752	$672

MONTHLY COSTS OF $80,000 CONDOMINIUM UNIT, with 20% Down, and PRIVATE or MHFA financing

Purchase price	$80,000
Downpayment (20%)	16,000
Mortgage amount at 10 percent, 30 years	64,000
Required annual household income (@ 31%):	$26,696

	Before tax deductions	After tax deductions 15% bracket	After tax deductions 28% bracket
Interest	$532	$452	$383
Principal	30	30	30
Property Tax	80	68	58
Condo fee	85	85	85
Homeowners Ins.	48	48	48
Monthly costs	$775	$683	$603
Foregone interest	93	93	93
Total 'expenses'	$867	$775	$696

Purchase price	$80,000
Downpayment (20%)	16,000
MHFA mortgage at 9 percent, 30 years	64,000
Required annual household income (@ 31%):	$24,389

	Before tax deductions	After tax deductions 15% bracket	After tax deductions 28% bracket
Interest	$479	$407	$345
Principal	36	36	36
Property Tax	80	68	58
Condo fee	85	85	85
Homeowners Ins.	48	48	48
Monthly costs	$728	$644	$572
Foregone interest	93	93	93
Total 'expenses'	$820	$737	$664

Appendix B:

Acq. price	$40.000	$50.000	$60.000	$70.000	$80.000	$90.000	$100.000	$120.000	$140.000	$160.000	$180.000	$200.000
10% downpay t	4.000	5.000	6.000	7.000	8.000	9.000	10.000	12.000	14.000	16.000	18.000	20.000
Hhld income (conv.)	17.325	21.853	25.381	29.952	34.065	38.179	42.206	50.262	58.317	66.373	74.429	82.484
Hhld income MHFA	16.700	20.446	24.193	27.982	31.814	35.646	39.393	46.885	54.378	61.871	69.364	76.857
20% downpay't	8.000	10.000	12.000	14.000	16.000	18.000	20.000	24.000	28.000	32.000	36.000	40.000
Hhld income (conv.)	14.161	17.266	20.370	23.514	26.696	29.878	33.176	39.579	45.982	52.385	58.789	65.192
Hhld income MHFA	13.257	16.136	19.015	21.932	24.889	27.845	30.917	36.869	42.820	48.771	54.722	60.673

	Principal	$36,000	$45,000	$54,000	$63,000	$72,000	$81,000	$90,000	$108,000	$126,000	$144,000	$162,000	$180,000
	Years	30	30	30	30	30	30	30	30	30	30	30	30
	IntRate	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
10%	MortPaymt	315.93	394.91	473.89	552.87	631.85	710.83	789.81	947.78	1,105.74	1,263.70	1,421.67	1,579.63
down	Other	100.00	115.00	130.00	146.00	163.00	180.00	195.00	225.00	255.00	285.00	315.00	345.00
	TotPaymt	415.93	509.91	603.89	698.87	794.85	890.83	984.81	1,172.78	1,360.74	1,548.70	1,736.67	1,924.63
	IntRate	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%
	MortPaymt	289.66	362.08	434.50	506.91	579.33	651.74	724.16	868.99	1,013.82	1,158.66	1,303.49	1,448.32
	TotPaymt	389.66	477.08	564.50	652.91	742.33	831.74	919.16	1,093.99	1,268.82	1,443.66	1,618.49	1,793.32
	Principal	$32,000	$40,000	$48,000	$56,000	$64,000	$72,000	$80,000	$96,000	$112,000	$128,000	$144,000	$160,000
	Years	30	30	30	30	30	30	30	30	30	30	30	30
	IntRate	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
20%	MortPaymt	280.82	351.03	421.23	491.44	561.65	631.85	702.06	842.47	982.88	1,123.29	1,263.70	1,404.11
down	Other	85.00	95.00	105.00	116.00	128.00	140.00	155.00	180.00	205.00	230.00	255.00	280.00
	TotPaymt	365.82	446.03	526.23	607.44	689.65	771.85	857.06	1,022.47	1,187.88	1,353.29	1,518.70	1,684.11
	IntRate	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%
	MortPaymt	257.48	321.85	386.22	450.59	514.96	579.33	643.70	772.44	901.18	1,029.92	1,158.66	1,287.40
	TotPaymt	342.48	416.85	491.22	566.59	642.96	719.33	798.70	952.44	1,106.18	1,259.92	1,413.66	1,567.40
	Other:												
	PropTax	40.00	50.00	60.00	70.00	80.00	90.00	100.00	120.00	140.00	160.00	180.00	200.00
	HomIns	45.00	45.00	45.00	46.00	48.00	50.00	55.00	60.00	65.00	70.00	75.00	80.00
	PMIns	15.00	20.00	25.00	30.00	35.00	40.00	40.00	45.00	50.00	55.00	60.00	65.00